KING SABATA DALINDYEBO LOCAL MUNICIPALITY

BUDGET AND TREASURY DIRECTORATE

KING SABATA DALINDYEBO MUNICIPALITY

QUALITY SERVICES TO ALL COMMUNITIES

ASSET MANAGEMENT POLICY

2018/2019

Table of Contents

GLOSSARY OF TERMS

CFO:	Chief Financial Officer
GRAP:	Generally Recognized Accounting Practice
HOD:	Head of Department
MFMA:	Municipal Finance Management Act (No. 56 of 2003)
MM:	Municipal Manager (i.e. Accounting Officer)
MSA:	Municipal Systems Act (No. 32 of 2000)
PPE:	Property, Plant and Equipment
Motor Vehicle	As defined in the VAT Act, motor vehicle includes vehicles with three or more wheels, are normally used on public roads and are constructed or adapted mainly or wholly for carrying passengers.

1. GENERAL

1.1. Definition

a) Asset management is the process of guiding the acquisition, use and disposal of assets to make the most of their service delivery potential and manage the related risks and costs over their entire life.

1.2. Objective of the Asset Management Policy

a) The principal objective of asset management is to enable the Municipality to meet its service delivery objectives efficiently and effectively;

b) Effective asset management also makes the most of the service potential of assets by ensuring they are appropriately used and maintained;

c) To ensure that all responsible parties are aware of their roles and responsibilities regarding the assets of the municipality. It focuses attention on results by clearly assigning responsibility, accountability and reporting requirements;

d) To set out the accounting treatment for assets acquired and used by the Municipality; and

e) To prescribe the administrative guidelines and internal control procedures to be followed by persons in control of Municipal assets.

1.3. Asset Management Principles

Broad Principle	**Description**
a) Planning and Budgeting	Planning, budgeting, and reporting on assets are to be integrated with broader planning processes, within departments
b) Monitoring and Reporting.	Municipal management must oversee the utilization, safeguarding and maintenance of assets and the appropriate reporting for regulatory and decision purposes.
c) Systems of Delegations and Accountability	Ownership and control of all assets are to be fully defined. Accountability and reporting requirements for both ownership and control are to be determined and clearly communicated.

d) Safeguarding and Maintaining	Clear segregation of functions in asset custody. Physical security of assets must be enforced throughout the entity.

1.4. Definition of an Asset

1. An asset is a resource controlled by the entity as a result of past events and from which future economic benefits or services potential are expected to flow to the entity.

2. In terms of GRAP 17, Property, plant and equipment are tangible items that:
a) Are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and
b) Are expected to be used during more than one reporting period.

This policy deals with property, plant and equipment

1.5. Asset Life Cycle

a) The phases through which an asset passes during its life are:

Identification of need, where the requirement for a new asset is planned for and established;

Acquisition phase, where the asset is purchased, constructed or otherwise created;

Operation and maintenance phase, where the asset is used for its intended purpose. This phase may be punctuated by periodic refurbishment or major repair,

Disposal phase, initiated when the economic life of the asset has expired, or when the need for the service provided by the asset has disappeared.

1.6. Roles in the Asset Management Cycle

1.6.1. Role of the Municipal Manager

1. The Municipal Manager, being the accounting officer of the Municipality, is responsible for the following in terms of section 63 of the Municipal Finance Management Act (Act No. 56 of 2003):

   a) The assets of the municipality, including the safeguarding and the maintenance of those assets;
   b) Ensure that the municipality has and maintains a management, accounting and information system that accounts for the assets of the municipality;
   c) Ensure that the municipality's assets are valued in accordance with the Standards of Generally Recognised Accounting Practice (GRAP); and
   d) Ensure that the Municipality maintains a system of internal control of assets, including an asset register.

2. Therefore the Municipal Manager must be the accounting officer of all the Municipal assets.

1.6.2. Role of the Chief Financial Officer (CFO)

1. The Municipal Manager has duly delegated the following duties to the Chief Financial Officer in terms of section 79(1) (b) (ii) of the MFMA:
   e) Ensure that all acquisitions of assets are in accordance with the Supply Chain Management Policy;
   f) ensure that council assets are accounted for in accordance with Generally Recognised Accounting Practice (GRAP);
   g) ensure that the general ledger is reconciled to the fixed asset register;
   h) review the reconciliation between the general ledger and the fixed asset register; and
   i) provide the Auditor-General or his personnel, on request, with the financial records relating to assets belonging to Council as recorded in the general ledger.

1.6.3. Role of the Manager Assets and Stores - Asset Management

   a) This division must be the asset registrar of the Municipality and must ensure that a complete, accurate and up to date asset register is maintained;
   b) No amendments to the asset register must be made other than those authorized by the Manager Asset and Stores, and GM:SCM or the Chief Financial Officer;
   c) Implementing and maintaining a centralized asset register;
   d) Ensuring that physical asset verification is performed annually by to all Departments to verify the assets on the asset register and their condition. The results of this verification must be reported to the Municipal Manager and Council by Chief financial Officer

e) Appropriate systems of physical management and control are established and carried out for all assets;
f) The municipal resources assigned to them are utilized economically and transparently;
g) Proper accounting processes and procedures are implemented in conformity with the municipal financial policies and the MFMA to produce reliable data for inclusion in the municipal asset register;
h) Any unauthorized, irregular, fruitless or wasteful utilization, and losses resulting from criminal or negligent conduct are prevented;
i) The asset management systems, processes and controls can provide an accurate, reliable and up-to-date account of assets under their control;
j) They are able to manage the asset plans, budgets, purchasing, maintenance and disposal decisions and justify that they optimally achieve the municipality's strategic objectives;
k) Manage the asset life-cycle transactions to ensure that they comply with the plans and legislative municipal requirements; and
l) The asset manager may delegate or otherwise assign responsibility for performing these functions, but they will remain accountable for ensuring that these activities are performed.

1.6.4. Role of Budget and Treasury Department and Financial Accounting Division

a) Ensure that a clear description is provided with each project and the appropriate funding source is identified. Release capital funds only after receiving written authority and a clear and concise description of the item to be purchased;
b) Ensure that any changes in the capital budget, with regards to funds transferred or project description changes are communicated to the Asset Management Division; and
c) Ensure that the calculation of depreciation is performed and details required for processing financial records to be obtained from the Asset Management Division.
d) Ensure that only capital expenditure are used for capital votes

1.6.5. Role of the Expenditure Division

a) Ensure that invoices authorized for payment are matched to the goods received note before processing such payment.

1.6.6. Role of the Supply Chain Management Division

a) Ensure that correct procedures are followed in asset acquisitions as per the Municipalities Supply Chain Management Policy; and
b) The Specification Committee, Evaluation Committee and Adjudication Committee must comply with and be constituted in accordance with the Supply Chain Management Policy.
c) Submit the minutes or appointment letters to asset management section for capital projects

1.6.7. Role of the Managers - Human Resources:

a) Ensure that no monies are paid out on termination of service of an employee without receiving the relevant asset resignation form signed off by the relevant Manager Assets and Stores or Senior Accountant Asset Management.
b) Ensure that every asset resignation form is counter signed by the Chief Financial Officer and Manager Assets and Stores or Senior Accountant asset and stores before processing the termination of service of an employee.
c) It is the responsibility of an employee to return back all municipal assets to asset management section.

1.6.8. All other Department Managers

a) Ensure that all employees in their Departments adhere to the approved Asset Management Policies and Procedures;
b) An employee with delegated authority has been nominated to implement and maintain physical control over assets in the Department. The Asset Management Division must be notified of who the responsible person is;
c) Although authority has been delegated, the responsibility to ensure adequate physical control over each asset remains with the Department Manager of that Unit;

d) The assets of the municipality are not used for private gain;
e) All movable assets as reflected on the asset register and the Department Items listing are bar coded;
f) Certification has been provided in writing that they have assessed and identified impairment losses on all affected assets at year end;

g) All obsolete and broken assets are reported and accompanied by the relevant asset form and attached asset disposal form and are handed in to the Asset Management Division
h) The correct cost element and description are being used before authorizing any requisitions.

1.6.9. Delegations

a) All delegated authority must comply with the Delegations of Authority Policy.

2. ACCOUNTING FOR PROPERTY PLANT AND EQUIPMENT

2.1. Definitions

Term	Source	Definition
Carrying amount	GRAP17	The amount at which an asset is recognized after deducting any accumulated depreciation and accumulated impairment losses.
Class of property, plant and equipment	GRAP17	A grouping of assets of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the financial statements.
Cost	GRAP17	The amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction. Cost comprises: (a) Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates. (b) Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
Depreciable amount	GRAP17	The cost of an asset, or other amount substituted for cost, less its residual value.
Depreciation	GRAP17	Systematic allocation of the depreciable amount of an asset over its useful life. The Municipality will depreciate its property plant and equipment using the straight line method

Fair value	GRAP17	Amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
Impairment loss	GRAP17	The amount by which the carrying amount of an asset exceeds its recoverable service amount
Recoverable amount	GRAP17	The higher of a cash-generating asset's net selling price and its value in use.
Residual value	GRAP17	The estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.
Recoverable service amount	GRAP17	The higher of a non-cash-generating asset's fair value less cost to sell and its value in use.
Useful life is:	GRAP17	The period over which an asset is expected to be available for use by an entity. The residual value and the useful life of an asset must be reviewed at least at each reporting date and, if expectations differ from previous estimates, the change(s) must be accounted for as a change in an accounting estimate

Finance lease	GRAP13	A lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. Indicators of a finance lease: • Legal ownership of the asset transfers to the lessee by the end of the lease term; or • The lease has a purchase option available to the lessee at a price sufficiently lower than the fair value at the date the option becomes exercisable; or • The lease term is for the major part of the economic life of the leased asset, even if title is not transferred; or • The present value of the minimum lease payments equals substantially all of the fair value of the leased asset; or • The leased asset is so specialised that only the lessee can use it without major modification.
Operational lease	GRAP13	• An operating lease is a lease other than a finance lease.

2.2. Recognition

1. The cost of an item of property, plant and equipment must be recognized as an asset if, and only if:

a) it is probable that future economic benefits or service potential associated with the item will flow to the entity, and

b) The cost or fair value of the item can be measured with reliability.

2. The Municipality must evaluate under this recognition principle all its property, plant and equipment costs at the time they are incurred. These costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it.

3. Where an asset is acquired at no cost, or for a nominal cost; cost is its fair value as at the date of acquisition.

4. Infrastructure assets - Access and Tarred Roads must be recognized on issue of practical completion certificate and Electrical, Projects must only be capitalized on issue of final completion certificate due to its nature.

2.3. Input Tax (VAT)

In terms of VAT 419 – Guide for Municipalities, as from 1 July 2006, it was proposed to increase the extent of taxable supplies so that municipalities could be treated the same as any other business. In order for a municipality to claim input tax, goods and services must be acquired by the municipality for the purpose of consumption, use or supply in the course of making taxable supplies. It follows that a municipality may not claim input tax where goods or services are acquired for the purposes of making exempt or other non-taxable supplies. The following are denied to be claimed as input tax:

- Entertainment;
- Motor Vehicles as defined in the VAT Act 89 of 1991 (Refer Annexure 5); and
- Goods and services it acquired as an agent on behalf of someone else.

Implication of Input Tax on Cost:

It follows that all assets must be initially recognized at Cost plus VAT where input tax has been denied like in instances where the municipality acquires motor vehicles, goods used for entertainment and goods acquired as an agent. Where input tax has been reclaimed, assets must be recognized at cost excluding VAT.

2.4. Subsequent Costs

2.4.1. Repairs and Maintenance costs

These costs are recognized in surplus or deficit as incurred. Costs of day-to-day servicing are primarily the costs of labor and consumables, and may include the cost of small parts.

2.4.2. Major overhaul/ Frequent scheduled repairs

Parts of some items of property, plant and equipment may require replacement at regular intervals. For example, a road may need resurfacing every few years. The cost of replacing part of such an item of property, plant and equipment is recognized in the carrying amount. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of GRAP 17

2.4.3. Measurement after recognition - Cost model for all property plant and equipment excluding land and buildings

a) After recognition as an asset, the Municipality must carry all items of property, plant and equipment at its cost less any accumulated depreciation and any accumulated impairment losses.

2.4.4. Measurement after recognition –Revaluation Model for land and buildings

a) After recognition as an asset, land and buildings whose fair value can be measured reliably must be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations must be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

b) The frequency of revaluations depends upon the changes in the fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. Some items of property, plant and equipment experience significant and volatile changes in fair value, thus necessitating annual revaluation. Such frequent revaluations are unnecessary for items of property, plant and equipment with only insignificant changes in fair value. Where changes in the fair values are insignificant the revaluation exercise will be carried out every three to five years or done to coincide with the general valuation roll exercise.

c) If an asset's carrying amount is increased as a result of a revaluation, the increase must be credited directly to a revaluation surplus. However, the increase must be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

d) If an asset's carrying amount is decreased as a result of a revaluation, the decrease must be recognised in surplus or deficit. However, the decrease must be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

e) The revaluation surplus included in net assets in respect of an item of property, plant and equipment may be transferred directly to accumulated surpluses or deficits when the asset is derecognised.

2.4.5. Impairment Review

a) Impairment is a loss in the future economic benefits or service potential of an asset, over and above depreciation. Impairment means the carrying amount of an asset exceeds its recoverable amount or recoverable service amount. Indications for impairment must be

assessed at each reporting date. There are cash-generating and noncash-generating assets

b) Cash-generating assets are those that are held to generate a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-orientated entity.

c) Non-cash-generating assets are assets other than cash-generating assets.

2.4.6. Evidence of impairment

2.4.6.1. External Sources

a) Significant long-term changes in technology, market, economic, government or legal environment have taken place or will take place in the near future.
b) There is cessation, or near cessation, of the demand or need for services provided by the asset

2.4.6.2. Internal Sources

a) There is evidence of the obsolescence of or physical damage to an asset. Significant long-term changes in the operational environment will impact on the future expected use of the asset, e.g. discontinued operations, early disposal or reassessment of useful life.
b) Internal reporting indicates worse than expected economic and/or service performance in respect the asset. Reviews of significantly decreased remaining useful life (includes various types of obsolesces);
c) Significantly decreased residual value, significantly decreased replacement cost.
d) A decision is taken to halt the construction of the asset before it is Complete or in a usable condition.

Examples below are some typical situations where impairment has occurred:

- A municipality owns a building that it rents to external parties, and there is a significant decline in market rentals.
- New environmental legislation is passed that restricts the use of certain landfill sites.
- New technical evidence shows that a certain type of underground pipe has a significantly shorter useful life than expected.
- High rainfall has damaged certain roads and their associated infrastructure.
- New wireless technology has been developed that will make certain wire-based computer networks obsolete.

e) If any of the indications are present, the Municipality is required to make a formal estimate of recoverable service amount. If no indication of a potential impairment loss is present, the GRAP Standard on Impairment does not require the Municipality to make a formal estimate of recoverable service amount.

f) For further guidance on impairment reference must be made to detailed GRAP Guidelines.

2.5. Asset Categories

The Municipality must have the following asset categories. A category of property, plant and equipment is a grouping of assets of a similar nature or function in an entity's operations.

(a) Land and Buildings;

(b) Heritage Assets;

(c) Infrastructure Assets;

(d) Intangible Assets;

(e) Investment Assets;

(f) Specialized Vehicles;

(g) Other Assets;

(h) Community Assets.

2.6. Depreciation

2.6.1. Depreciation of assets under the Cost Model

The depreciation charge for each period must be recognized in surplus or deficit unless it is included in the carrying amount of another asset.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately. The CFO must determine the asset class depreciation rates with reference to Annexure 1.

Depreciation is recognized as long as the asset's residual value does not exceed its carrying amount. Repair and maintenance of an asset do not negate the need to depreciate it.

It must be noted that land normally has unlimited life therefore it is not depreciated, whilst buildings are.

An asset must remain in the asset register for as long as it physically exists. The fact that an asset has been fully depreciated must not in itself be a reason for removing the asset from the asset register.

2.6.2. Depreciation of assets under the Revaluation Model

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is treated as follows :

- eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

2.6.3. Fully depreciated assets and reassessment of useful life

Where the municipality is satisfied that it made appropriate estimate of the useful lives, residual values and depreciation of an asset based on the information available at the previous reporting dates, it will continue to measure fully depreciated assets the assets at R0 until the assets are disposed, and will disclose the fact that it has fully depreciated assets still in use.

Where the municipality has fully depreciated assets as a result of an inappropriate estimate of the useful lives and depreciation, it will reassess the useful lives of the affected assets and effect the resultant changes as an error in accordance with GRAP 3, Accounting Policies, Changes in Accounting Estimates and Errors.

2.6.4 Residual values of assets

The municipality expect to use the assets for their entire economic life and therefore will treat the residual value as negligible or zero.

2.7. Derecognition

1. The carrying amount of an item of property, plant and equipment must be derecognized:

(a) on disposal,

(b) when no future economic benefits or service potential are expected from its use or disposal.

(c) when an asset is being reconstructed, the old one on the register is derecognized and new vote for WIP will be created

The gain or loss arising from derecognition of an item of property, plant and equipment must be included in surplus or deficit when the item is derecognized.

3. ASSET ADMINISTRATION AND RECORDS

3.1. Asset Register

a) An asset register is a complete and accurate database of the assets that is under the control of a municipality and that is regularly updated and validated. An adequate asset register is integral to effective asset management. It is the basis of an asset management information system and must contain relevant data beyond that required for financial reporting.

c) The asset register provides important information required for effective management of the assets as well as the detail of the figures disclosed in the annual financial statements. This register enables the municipality to maintain sufficient, appropriate audit evidence. It stores information on each asset, which includes amongst others the cost price, date acquired, location, asset condition and expected life. It can also include information on current replacement costs. All assets owned and controlled by an entity must be recorded in an asset register, regardless of the funding source or value thereof. All disposed assets must be excluded.

d) In its simplest form, an asset register may be a manual document or a spreadsheet. Alternatively, it can be a computerized system that interfaces directly with the general ledger (modern computerized accounting systems have this functionality).

e) An asset register does not have to be a single computerized system or document. It can also be a series of subsystems with linkages and a common directory. The design of an asset register will, to a large extent, be influenced by the content of existing asset management systems and databases, but must contain sufficient information for effective management. Where this is not the case, processes must be put in place to ensure that the missing information is collected and documented to enable effective reporting.

f) The asset register must be maintained in the format determined by Manager Assets and Stores with GM: SCM, and comply with the requirements of Generally Recognized Accounting Practice (GRAP).

g) Each individual asset item must be denoted by a reference number; however immovable assets on the asset register will not be physically numbered with barcode labels but will have a unique asset master record number.

3.1.1. The following information must as a minimum, be included in the Fixed Assets Register:

a) Acquisition dates of all items of property, plant and equipment;
b) Clear descriptions of individual items of property, plant and equipment;
c) Depreciation method determined in accordance with the principles set out in GRAP 17;
d) Historical cost or fair value of individual items of property, plant and equipment or the fair value of assets received as donations;
e) Department or Service that uses or controls the item of property, plant and equipment;
f) Identification reference for physical verification and asset management purposes;
g) Accumulated depreciation attributable to individual items of property, plant and equipment;
h) Impairment losses/ gains attributable to individual items of property, plant and equipment.
i) Funding source of individual items of property, plant and equipment; and
j) Where land and buildings are revalued, the revalued amount attributable to individual items of land and buildings.
k) Disposal date

3.1.2. Information to be reflected on an annual basis

a) A summary of all acquisitions of property, plant and equipment;
b) A summary of all disposals or write-offs of property, plant and equipment during the year.
c) The disposals or write-offs information must include both cost and accumulated depreciation;
d) The aggregate depreciation expense for the year;
e) Changes in impairments during the year;
f) The opening and closing balances of property, plant and equipment at cost;
g) The opening and closing balances of accumulated depreciation; and
h) Movements in the revalued portion of property, plant and equipment.

3.2. Guidelines on Asset Identification and Description

1. The following detail must be included when identifying assets:

a) Asset number: a unique system-generated identifier, bar code or other unique number so that the individual asset can be distinguished from others;
b) Asset specific identifiers (where applicable): e.g. serial numbers, registration number, Etcetera;
c) Asset description: e.g. 2005 Toyota Corolla 140i, brown wooden six-seater boardroom table, etc;
d) Asset dimensions/capacity (if relevant): e.g. 200 litres (tank), 4000 sq metre (building/land);
e) Asset construction (if relevant): e.g. brick, wood, cast iron;
f) Location: e.g. Office 123, Store Abc, Erf. Xyz;
g) Zoning: residential, agricultural, industrial, etc; and
h) GPS: recommended for easy location (where relevant).

3.3. Guidelines on Asset Identification and Description

1. Movements in the revalued portion of property, plant and equipment.

2. This information will be used to prepare the notes to the annual financial statements on property, plant and equipment.

3.3.1. Funding Source

1. This will enable the accounting entries relating to the External Financing Fund (EFF), Capital Replacement Reserve (CRR) Government Grant Reserve, Capitalization Reserve as well as the Public Contributions and Donations Reserve to be easily prepared.

3.3.2. Department or Function

1. This will enable the Segmental Information on property, plant and equipment to be prepared.

3.4. Property, Plant and Equipment Classification

Category	Description	Examples
Infrastructure Assets	Infrastructure assets are any assets that are part of a network of similar assets. Some assets are commonly described as infrastructure assets. While there is no universally accepted definition of infrastructure assets, these assets usually display some or all of the following characteristics: (a) They are part of a system or network, (b) They are specialized in nature and do not have alternative uses, (c) They are immovable, and/or (d) They may be subject to constraints on disposal.	Roads, water and reticulation schemes, sewerage purification, electricity assets and trunk mains.
Community Assets	Community assets are any assets that contribute to the community's well-being.	Parks, libraries and fire stations.
Heritage Assets	Heritage assets are culturally significant resources.	Works of art, historical buildings and statues.
Other Assets	Other assets are assets utilized in operations.	Furniture and fittings, Office Equipment and Computer Equipment.
Investment Properties	Leased Land and Buildings owned by the municipality.	All Land and buildings which the municipality receives rental income on.

Category	Description	Examples
Land and Buildings	Land and Buildings owned and utilized by the municipality.	Commonage, Municipal buildings
Specialized Vehicles	Plant, Equipment and Motor Vehicles owned and utilized the municipality.	Plant and equipment, motor vehicles
Intangible Assets	All computer software owned by the municipality.	Website, computer programs etc.

3.5. Condition Assessment

1. A condition assessment for tangible capital assets is like a general medical checkup for people. The regular assessment of the condition and performance of all the tangible capital assets allows the municipality to determine the ability of tangible capital assets to continue to perform and provide services into the future.

2. While condition assessments for specialized assets like infrastructure would generally be an engineering function, a municipality can also establish basic performance and benchmarking indicators that will assist in the process.

For example:

a) Keeping historical information on equipment failure could be used to predict when replacements might be needed. This can also be done for motor vehicles and other capital assets;

b) Driving on roads and over bridges doing visual inspections and counting potholes and grade separations;

c) Reviewing estimated life-cycle costs and comparing them to the actual amounts spent on infrastructure maintenance and replacement; and

3. Condition data can be used to predict the timing of remedial action or asset replacement. As time goes by, predictions will become more accurate as more information becomes available.

4. A condition assessment can be conducted using a top down approach based upon staff knowledge, maintenance records, customer complaints and performance records. A physical check can also be conducted whenever routine maintenance is done. This will facilitate updated condition information and save time as it will eliminate a second visit.

5. Information collected on the condition must be recorded in the asset management system and updated in the strategic plans where necessary.

6. The condition assessment will vary depending upon the class of capital asset being assessed and the asset management policy pertaining to that class. For example, furniture (chairs) will be considered operational until returned to the municipal store because they are broken.

7. Complex tangible capital assets like buildings, community facilities, roads, water networks and other infrastructure will require a more appropriate asset management policy to ensure a more robust assessment process and criteria.

8. As a starting point in gaining the necessary understanding, a rating scale such as the one in the following table could be developed for each class of tangible capital asset:

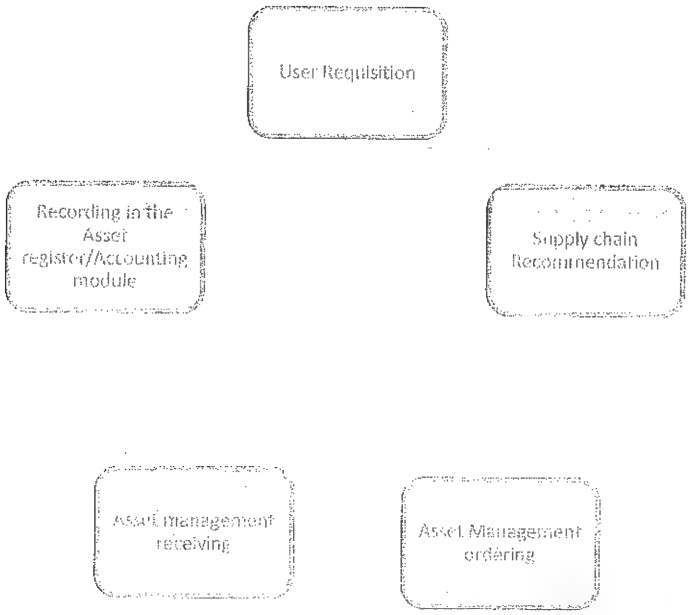
Condition Rating Table

Rating	Description	Detailed Description	Estimated Remaining Life
1	Very Good	New, sound structure or appearance, well maintained. Continue with planned maintenance.	As estimated
2	Good	Performance acceptable with minor deterioration (<5%). Normal planned maintenance continues.	As estimated
3	Poor	Clearly evident deterioration (10-20%). Significant maintenance required, consider impairment. Or Significant deterioration in structure or appearance. Significant impairment of performance.	Less than Estimated

9. It is important to bear in mind that the benefits of conducting the condition assessment must outweigh the costs of conducting this assessment. For unreasonably expensive condition assessments, alternative approaches must be considered so that the municipality is able to justify the costs while still having fairly reliable information to act upon.

3.6. Acquisition of Assets

3.6.1. Process Flow



A senior staff member /Department head of the department requesting the goods will complete and sign a requisition memorandum detailing the need and the justification of the request.

This is sent to the Chief Financial officer for approval in line with the annual approved budget.

2. The authorized requisition memorandum form is then routed to the Supply Chain Management (SCM).

This requisition is logged in a manual record by a clerk in the Supply Chain management function. The Supply chain manager sources for quotations from approved suppliers or initiates a tendering process depending on the value of the asset.

The following are the thresholds allowed in accordance with the Municipal Finance Management Act (MFMA).

Threshold		**Process**
Is the value below R2 000 (VAT Included)?	Yes	• Obtain requirement by means of petty cash procurement in accordance with internal prescribed procedures.

Threshold		**Process**
Verbal Price Quotations: Is the value more than R 2 000 but less than R 10 000 (VAT included)?	Yes	• Obtain at least three quotations, preferably from the list of accredited prospective suppliers. • The names and prices of the prospective suppliers must be recorded. • The order must be placed against written confirmation of the selected supplier.
Written Price Quotations: Is the value from >R10 000 to R200 000 (VAT included)?	Yes	• Obtain at least 3 written quotations, from database established for this purpose. • For all procurement above R30 000 the prescripts of the PPPFA and its related regulations are applicable. All requirements above R30 000 must be advertised for at least seven (7) days on the notice board and website. • Forward a summarized report of all procurement by means of quotations to the CFO on a monthly basis.
Is the value above R 200 000?	Yes	• Use competitive bidding process:

3.6.2. Expenditure department

SCM sends all quotations received and the accompanying memorandum of the recommended supplier to Asset Management Section. A pre-generated purchase requisition is raised by Asset Management and authorized by the department head. Each department must maintain a single requisition manual book where this stationery is centrally controlled by the Supply chain management head. Authority in terms of Delegated Powers to Officials must be reflected on the requisition form.

The authorized user requisition is forwarded to the expenditure department to raise an order for the requested goods. This batch of documents must have attached to it the following:

- Request memorandum;

- Purchase requisition; and
- Quotation and Supply chain management recommendation.

A pre numbered, multi copied purchase order is generated from the details in the requisition form by the supply chain management clerk.

- 1st copy of the purchase order goes to the supplier;
- 2nd copy goes to the asset management function; and
- 3rd copy remains with expenditure clerk.

The General Manager or delegated Manager authorize the generated order. All purchase orders must be sequentially pre-generated / or system generated.

Upon receipt of the ordered items, the asset management officer records the ordered items in manual acquisitions register detailing:

- Supplier;
- Date of order;
- Items ordered (Detailed description); and
- Asset class

5.6.5. Receiving of moveable assets

All Moveable assets are centrally (alternatively the assets could be delivered directly to the user who then notifies the supply chain unit and the asset manager must be notified immediately of the delivery to enable his/her unit to tag, update the asset register with the relevant information) received by the asset management department officers/and the stores function. The asset management officer receives the ordered goods and then signs the delivery note. The asset officer checks the received items against the items per the order for:

- right quantity; and
- quality.

This is evidenced by stamping a clear bold stamp noting that goods have been received per the quantities and quality ordered. The delivery note is forwarded to expenditure to facilitate payment of supplier.

The asset clerk records the received goods in a manual acquisitions register against the order details recorded during the requisition phase. Immediately the purchased assets are tagged with the sequentially pre-generated asset tags. The tag references used are recorded in the acquisitions register.

An asset acquisition form is generated with input from the asset acquisition register. This form details the following:

- Tag reference;

- Asset description;
- Asset class;
- Receiving department name;
- Municipal user of the purchased asset;
- Depreciation rate;
- Residual value; and
- Confirmation of receipt of asset by user.

This form is reviewed and authorized by the Manager Assets and Stores / Chief accountant to allow updating of the asset register. Copies of the following documents must be attached to the Asset Acquisition Form (AAF):-

- The Requisition Form;
- The Quotation;
- The Order; and
- The Suppliers Invoice.

3.7. Controls around an MS Excel Register

- At least two people must know how the spreadsheet works, that is if the main user (Asset management officer) is not available the second person (preferably Supervisor – Manager Assets and Stores) must be able to step in.
- It must be password protected. The password must be kept by the CFO, General Manager SCM, Manager Assets and Stores and the Senior Accountant.
- All changes made must be authorized and signed-off by the independent person. Proof of such must be filed and be available for audit.

3.8. Capitalization Threshold

Council must approve the capitalization threshold on a regular basis.

Threshold	Capitalize /Expense
Cost/fair value ≥ R5 000 (Excluding computers and office equipment exclude other equipment) * Or such other amount as the Council of the municipality may from time to time determine on the recommendation of the Municipal Manager	Recognize as PPE, record on the asset register.
Cost/fair value < R5 000 (Excluding computers and office equipment)	Recognize as an ordinary operating expense Maintain an inventory register for all assets expensed as a result of being below the capitalization threshold.

3.9. Disposal of Assets

3.9.1. All assets are to be disposed of in 4 ways, for example:

The Manager Assets and Stores in conjunction with the General Manager: Supply Chain must direct the disposal process:

- By dumping at a tip site after approval by HOD concerned if the item is damaged beyond repair;
- Public tender for the disposal of property or letting of assets (including unserviceable, redundant or obsolete assets subject to section 14 and 90 of the MFMA;
- Auctioning; and
- Donating - transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets.

- A municipality may not... "permanently dispose of a capital asset needed to provide the minimum level of basic municipal services";
- Where a municipal council has decided that a specific asset is not needed to provide the minimum level of basic services, a transfer of ownership of an asset must be fair, equitable, transparent, competitive and consistent with the municipality's supply chain management policy;
- The processes and rules for the transfer of a capital asset to another municipality, municipal entity or national / provincial organ of state are governed by an MFMA regulation namely: "the Local Government: Municipal Asset Transfer Regulations";
- Where assets have been identified as under-performing, or no longer functionally suited for basic service-delivery needs, consideration must be given to the possible alternatives to disposal;
- A factor to consider is whether utilization can be increased (for example by adapting the asset to another function or using it in another program). For assets such as property or large IT installations, consideration could be given to the letting of surplus capacity to other entities; and
- Reasonable grounds for determining that a capital asset is not required for the provision of the minimum level of basic municipal services may include:
    - The asset is impaired (in respect of which the asset custodian can provide evidence);

- The municipality no longer performs the function for which the asset was purchased, e.g. the case of a clinic where the province has taken over that healthcare function;
- It is an immovable asset no longer located close to where the service is required, e.g. a taxi rank on a disused road;
- The asset has been replaced; and
- The asset no longer performs the required level of service.

3.9.3. Processes must be in place to ensure that:

- Under-utilized and under-performing assets are identified as part of a regular, systematic review process;
- The reasons for underutilization or poor performance are critically examined, and corrective action taken to remedy the situation or a decision to dispose of the asset is made;
- The analysis of disposal methods takes into consideration the potential market or other intrinsic values; the location and volume of assets to be disposed of; the ability to support other government programs; and environmental implications; and
- Regular evaluation of disposal performance is undertaken.

3.9.4. Equitable, Transparent and Competitive Disposal

- The supply chain management policy must state the mechanism for determining the market value for different types of assets;
- The process must be open to the public and public scrutiny;
- Consideration must be given to the fair market value of the asset and to the economic and community value to be received in exchange for the asset;
- Reasonable efforts must be made to ensure that an appropriately competitive process for disposal is adopted; and
- Council or the Municipal Manager (where delegated) will need to know what the expected market price is in order to demonstrate that it has considered the market value of that asset.

3.9.5. Assessment of performance/post-disposal review

The approach to asset management and effective strategic asset planning requires that the outcomes and outputs of each phase of the asset life cycle become inputs to the next planning cycle.

The actual timing and proceeds of the disposal must be compared with the standard established for that specific class in the municipality's accounting policies.

This makes it possible to confirm that the useful life, estimated proceeds, and therefore the depreciation rates used, are valid. It also provides the opportunity to identify reasons why assets are routinely not meeting the service life expectations or their estimated proceeds on disposal.

A higher-level review also needs to be undertaken at regular intervals to ensure that the Government's disposal goals and aims are being met.

Best practice suggests that, in addition to undertaking the cost-benefit analysis of disposal methods, asset managers be required to compare the actual life on disposal with the expected useful life and to explain significant variations.

The municipality must ensure that it implements a proper system of internal controls over disposals to avoid the risk of theft or misappropriation of these assets while waiting for disposal processes to be initiated.

3.10. Verification of Assets

At least once during every financial year undertake a comprehensive verification of all assets controlled or used by the Department concerned.

Asset verification team headed by senior accountant must promptly and fully report in writing to Manager Assets and Stores all relevant results of such asset verification, provided that each asset verification must be undertaken and completed as closely as possible to the end of each financial year, and that the resultant report compiled by the Asset Management Division, incorporating the results of all Departments by 30 June of each financial year and be made available to the Auditor-General or his/her personnel.

The Manager Assets and Stores and GM: SCM, and where necessary his/her duly designated official, must receive from the Asset management Officer a detailed "outcome report" on the assets verification exercise.

3.10.1. The asset verification report must

a) Include a complete list of all assets identified during the verification process.

b) Identify discrepancies and reconcile assets verified to those per the Municipal records.

(Note that the reconciliation of the asset register must be performed per asset classification).

3.11. Insurance of Assets

All insurance of property, plant and equipment and investment properties must be done in accordance with the municipality's policy and procedures on insurance of council assets.

All insured assets must be handled in terms of the Municipality's Insurance Policy as agreed with the Insurance Brokers. On annual basis the insurance excess limits must be assessed. The MM or designee must ensure that all assets are insured. The CFO must recommend the basis of insurance to be applied to each type of fixed asset (e.g. carrying value or replacement value).

It is the responsibility of the HOD to ensure that the purchased capital asset has been covered for insurance purposes before it is used by the respective department. The HOD must notify the Asset Manager immediately after any occurrence of damage to, or loss, any asset of the Municipality.

3.12. Transfers of Assets

(i) The Head of department's (HOD's) must approve all asset movements, which relate to the transfer of assets from one department/Section to the other.

(ii) When a directorate or department transfers an asset item interdepartmentally or within its department, the Asset Transfer Form (Appendix 4) must be forwarded to the department/location receiving the asset or inventory item.

(iii) A copy of this form is to be forwarded to the Asset Management Office for the update of the asset register. An email must simultaneously be sent to the Asset management team to advise of the movement to allow asset Management to swiftly update the asset register and to allow follow up of the authorized asset movement forms. The asset movement form is signed by both the transferee user and the transferor.

(iv) When a department no longer requires the use of an asset it must be transferred to the Department's storage until it is required by another department or disposed of. This must be accompanied by a similar asset movement form for storage.

3.13. Resignations

At the resignation of an employee the applicable Director or his/her duly delegated representative must complete the relevant asset form and forward it to the Human Resources Department for their further attention. This form is a statement that the inventory and asset items entrusted to the employee to execute his/her daily duties are in good order and handed in where necessary.

3.14. Custody of Assets

(i) Every HOD must be directly responsible for the physical safekeeping of any asset controlled or used by the department in question.

(ii) In exercising this responsibility, every HOD must adhere to any written directives issued by the MM to the department in question, or generally to all departments, in regard to the control of or safekeeping of the municipality's assets. It is the responsibility of all municipal staff to adhere and practice strict physical controls of the assets around their work area. This culture must be practiced and disseminated from top municipal officials to all their subordinates.

3.15. Alienation of Assets

(i) Every HOD must report in writing to the CFO-- 30 Junel of each financial year on all assets controlled or used by the department concerned which such HOD wishes to alienate by public auction or public tender. The CFO must thereafter consolidate the requests received from the various departments, and must promptly report such consolidated information to the Council or the Municipal Manager of the municipality, as the case may be, recommending the process of alienation to be adopted.

(ii) The Council must delegate to the Municipal Manager the authority to approve the alienation of any asset with a carrying value less than R5 000 (five thousand rand).

(iii) The Council must ensure that the alienation of any asset with a carrying value equal to or in excess of R5 000 (five thousand rand) takes place in compliance with Section 14 of the MFMA.

(iv) Once the assets are alienated, the asset management officer must use the disposal authorization forms to update the asset register. The updates to the register are reviewed by Manager Assets and Stores

3.16. Loss, Theft, Destruction or Impairment

(i) Every HOD must ensure that any incident of loss, theft, destruction, or material impairment of any fixed asset controlled or used by the department in question is promptly reported in writing to the Manager Assets and Stores , and – in cases of suspected theft or malicious damage – also to the South African Police Service. The Manager Assets and Stores must promptly report to the CFO in writing the above events.

(ii) The Manager Assets and Stores must report to the CFO on each financial year on any assets which such HOD wishes to have written off, stating in full the reason for such recommendation. The CFO must consolidate all such reports, and must promptly submit a recommendation to the Municipal Manager for the Council of the municipality on the assets to be written off.

(iii)The only reasons for writing off assets, other than the alienation of such assets, must be the loss, theft, and destruction or material impairment of the fixed asset in question.

(iv) In every instance where a not fully depreciated fixed asset is written off, the CFO must immediately debit to such department or vote, as additional depreciation expenses, the full carrying value of the asset concerned.

3.17. General Maintenance

Every HOD must be directly responsible for ensuring that all assets (other than infrastructure assets which are dealt with below) are properly maintained and in a manner which will ensure that such assets attain their useful operating lives.

3.18. Maintenance Plans

Every HOD must ensure that a maintenance plan in respect of every new infrastructure.

3.19. Private Use of Municipal Assets

(i) Each department must ensure that the removal of assets from municipal premises is monitored. The standard Asset Removal Form must be completed and authorized by the HOD each time any asset is removed from municipal premises.

(ii) No municipal asset may be used for personal gain or profit.

BIBLIOGRAPHY

Accounting Standards Board South Africa (ASB).

Standards of Generally Recognized Accounting Practice (GRAP)

MFMA — Local Government Capital Asset Management Guideline

ANNEXURE 1- Asset Useful lives guideline

**. (Note this is a suggested MFMA-Local Government Capital Asset Management Guideline, however Municipalities must use their judgment based on operational experience, historical asset usage trends and in consultation with specialists where necessary. Must the municipality's management decide on a useful life outside the given parameters, the Office of the Accountant-General at National Treasury (OAG) must be approached, and provided with a motivation, for its agreement of the rate used.

Classes of Assets	USEFUL LIFE IN YEARS		
	MIN		MAX
PROPERTY, PLANT AND EQUIPMENT			
LAND			
Developed land	N/A		
Undeveloped land	N/A		
Dwellings			
Caravans	5	-	10
Children's homes	25	-	30
Foreign mission dwellings	25	-	30
Homes for the aged	25	-	30
Hostels	25	-	30
Military personnel dwellings	25	-	30
Mobile homes	25	-	30
Places of safety (children)	5	-	10
Prisons and rehabilitation facilities	25	-	30
Residences (presidential, embassies)	25	-	30
Residences (personnel) include garages and parking	25	-	30
Secure care centres	25	-	30
NON RESIDENTIAL DWELLINGS			
Airport and associated buildings (control towers, transfer halls, parking, hangars and warehousing)	25	-	30
Border and custom control points	25	-	30
Bus terminals	25	-	30
Bus shelters	5	-	15

	USEFUL LIFE IN YEARS		
	MIN		MAX
Civic theatres	25	-	30
Clinics and community health facilities	25	-	30
Community centres and public entertainment buildings	25	-	30
Driver and vehicle testing centres	25	-	30
Fire stations	25	-	30
Foreign mission offices	25	-	30
Hospitals and ambulance stations	25	-	30
Industrial buildings	20	-	30
Laboratories	25	-	30
Libraries	25	-	30
Mortuaries	25	-	30
Museums and art galleries	25	-	30
Office buildings (including air conditioning systems)	25	-	30
Public parking (covered and open)	25	-	30
Police stations (and associated buildings)	25	-	30
Railway and associated buildings	25	-	30
Research facilities (including weather)	25	-	30
Stadiums	25	-	30
Taxi ranks	10	-	15
Universities, colleges, schools etc.	25	-	30
Warehouses (storage facilities, including data)	25	-	30
OTHER STRUCTURES (INFRASTRUCTURE ASSETS)			
ELECTRICITY			
Cooling towers	25	-	30
Mains	15	-	20
Meters			
Prepaid	10	-	20
Credit	20	-	25
Power stations			
Coal	50	-	60
Gas	50	-	60
Hydro	50	-	60
Nuclear	60	-	80
Supply/reticulation	15	-	25
Transformers	25	-	50

Lines

	USEFUL LIFE IN YEARS		
	MIN		MAX
Underground	25	-	45
Overhead	20	-	30
Cables	25	-	45
Substations			
Switchgear	20	-	30
Equipment			
Outdoor	20	-	30
GIS	15	-	30
Indoor	30	-	40
Electrical panels	3	-	5
Telemetry	7	-	15

	MIN		MAX
ROADS (Roads, Pavements, Bridges & Storm Water)			
BRIDGES			
Vehicle			
Bridges - Concrete	60	-	80
Bridges - Steel	40	-	50
Bridges - Timber	25	-	40
Pedestrian			
Bridges - Concrete	60	-	80
Bridges - Steel	40	-	50
Bridges - Timber	25	-	40
Railway			
Bridges - Concrete	60	-	80
Bridges - Steel	40	-	50
Bridges - Timber	25	-	40
Reinforced retaining walls			
Earth	10	-	15
Concrete	25	-	30
Expansion and construction joints	15	-	20
STORM WATER			
Culverts	25	-	40
Concrete	40	-	60
Armco	25	-	40
Drains			
Earthworks	80	-	100

	USEFUL LIFE IN YEARS		
	MIN		MAX
Concrete lining	25	-	50
Stop banks	40	-	50
Pipes	25	-	50

Coastal

Structure (Retaining walls)	20	-	40
Piers	60	-	80
Storm water outfalls	60	-	80

ROADS

Kerb and channels	40	-	50
Municipal roads - Asphalt surface	10	-	20
- Asphalt layer	30	-	50
- Concrete surface	10	-	30
- Concrete layer	30	-	50
- Gravel surface	3	-	10
National roads - Asphalt surface	10	-	20
- Asphalt layer	30	-	50
- Concrete surface	10	-	30
- Concrete layer	30	-	50
- Gravel surface	3	-	10
Provincial roads - Asphalt surface	10	-	20
- Asphalt layer	30	-	50
- Concrete surface	10	-	30

	USEFUL LIFE IN YEARS		
	MIN		MAX
- Concrete layer	30	-	50
- Gravel surface	3	-	10
Crash barriers	10	-	30
Retaining walls	30	-	60
Overload control centres	15	-	20
Electronic hardware	10	-	15
Other equipment	10	-	20
Pedestrian footpaths	15	-	30
Street lighting	25	-	40
Subways	40	-	50
Traffic islands	40	-	50
Traffic lights	15	-	20
Traffic lights – coastal	10	-	15
Traffic signs	5	-	15
Toll road plazas	20	-	30
AIRPORTS			
Airports and radio beacons	25	-	30
Aprons	25	-	30
Runways	15	-	20
Taxiways	15	-	20
Specialized equipment			
Luggage movement equipment	20	-	25
Communication equipment	10	-	15
WATER			
Dams			
Structure			
- concrete	80	-	100
- earth	30	-	50
Mechanical and electrical	15	-	40
Meters	10	-	20
Standpipes	5	-	20
Metalwork (steel stairs, ladders, handrails, weirs)	10	-	30
Pump stations			
Structure	30	-	55
Electrical	15	-	40
Mechanical	15	-	40
Perimeter protection	10	-	25

Reservoirs

	USEFUL LIFE IN YEARS		
	MIN		MAX
Structure	30	-	50
Electrical	15	-	40
Mechanical	15	-	40
Perimeter protection	10	-	25
Supply/reticulation	20	-	50
Underground chambers			
Valves	15	-	25
Meters	10	-	20
Transition	10	-	15
Other	5	-	10

	USEFUL LIFE IN YEARS		
	MIN		MAX
Water purification works			
Structure	30	-	55
Electrical	15	-	40
Mechanical	15	-	40
Perimeter protection	10	-	25
Meters	10	-	15
Telemetry	10	-	15
SEWERAGE			
Bulk pipelines (outfall sewers)			
Rising mains	40	-	50
Gravity mains	40	-	50
Sewerage pump stations			
Structure	30	-	55
Electrical	15	-	40
Mechanical	15	-	40
Perimeter protection	10	-	25
Metalwork	10	-	30
Sewers/reticulation	30	-	60
Waste purification works			
Structure	30	-	55
Electrical	15	-	40
Mechanical	15	-	40
Perimeter protection	10	-	25
Meters	10	-	15
SOLID WASTE DISPOSAL			
Collection			
Vehicles	5	-	10
Containers/Bins	10	-	15
Transfer stations and processing facilities			
Structure	30	-	55
Electrical	15	-	40
Mechanical	15	-	40
Perimeter protection	10	-	25

	USEFUL LIFE IN YEARS		
	MIN		MAX
Landfill site			
Earthmoving and compaction equipment	10	-	15
Landfill preparation	NA	-	
Structure	30	-	55
Weighbridge			
Mechanical	15	-	40
Electrical	15	-	40
Perimeter protection	10		25
RAILWAYS			
Power supply units	25	-	30
Railway sidings	25	-	30
Railway tracks	15		20

	USEFUL LIFE IN YEARS		
	MIN		MAX
Signaling systems	15	-	20
Shunting yards	25	-	30
GAS SUPPLY SYSTEMS			
Structure	40	-	50
Electrical	20	-	25
Mechanical	20	-	25
Perimeter protection	10	-	15
Stations			
Trunk receiving	40	-	50
District regulating	40	-	50
Mains/pipelines	15	-	20
Meters	15	-	20
Storage facilities	15	-	20
Supply/reticulation	15	-	20
CEMETERIES	25	-	30
CAPITAL/INFRASTRUCTURE WORK IN PROGRESS			
Buildings	N/A		
Infrastructure			
Other			

OTHER MACHINERY AND EQUIPMENT

	USEFUL LIFE IN YEARS		
	MIN		MAX
Audiovisual equipment	5	-	10
Building air conditioning systems	10	-	5
Cellular phones (over R5 000)	0	-	2
Cellular routers	3	-	
Domestic equipment (non-kitchen appliances)	3	-	5
Electric wire and power distribution equipment ((compressors, generators & allied equipment)	5	-	7
Emergency/rescue equipment	5	-	10
Elevator systems	15	-	20
Farm/Agricultural equipment	5	-	15
Fire Fighting equipment	3	-	5
Gardening equipment	2	-	4
Irrigation equipment	10	-	15
Kitchen appliances	5	-	10
Laboratory equipment - Agricultural	5	-	7
- Medical testing	5	-	7
- Roads and transport	5	-	7
Laundry equipment and industrial sewing machines	10	-	15
Learning, training support and library material (curriculum equipment)	5	-	10
Machines for metallurgy	5	-	10
Machines for mining and quarrying	5	-	10
Machines for textile production	10	-	15
Medical and allied equipment	5	-	10
Music instruments	10	-	15
Photographic equipment	5	-	7

	USEFUL LIFE IN YEARS		
	MAX		MIN
Pumps, plumbing, purification and sanitation equipment	5	-	10
Radio equipment	5	-	7
Road construction and maintenance equipment	10	-	15
Saddles and other tack	5	-	7
Security equipment/systems/ materials - Fixed	3	-	5
- Movable	3	-	5
Ship and marine equipment	5	-	10
Sport and recreational equipment	5	-	10
Survey equipment	5	-	7
Telecommunication equipment	3	-	5
Tents, flags and accessories	5	-	10
Woodworking machinery and equipment	5	-	10
Workshop equipment and loose tools - Fixed	5	-	10
- Movable	3	-	5
FURNITURE AND OFFICE EQUIPMENT			
Advertising boards	3	-	5
Air conditioners (individual fixed & portable)	3	-	5
Cutlery and crockery	5	-	10
Domestic and hostel furniture	10	-	15
Linen and soft furnishings	5	-	10
Office equipment (including fax machines)	5	-	7
Office furniture	5	-	7
Paintings, sculptures, ornaments (home and office)	5	-	10
COMPUTER EQUIPMENT			
Computer hardware including operating systems	3	-	5
Networks	5	-	10

TRANSPORT ASSETS

Aircraft	10	-	15
Aircraft engines	5	-	7
Airport transport equipment (stairs and luggage)	10	-	15
Busses	10	-	15
Cycles	4	-	7
Emergency vehicles (Ambulances and fire engines)	5	-	10
Mobile clinics	10	-	15
Motor vehicles	4	-	7
Railway rolling stock	10	-	15
Ships	15	-	20
Ships engines	5	-	7
Trailers and accessories	5	-	10
Trucks	5	-	7

HERITAGE ASSETS

Archives	N/A	
Areas of land of historic or specific significance (i.e. world heritage site)	N/A	

	USEFUL LIFE IN YEARS		
	MAX		MIN
Culturally significant buildings (parliamentary buildings)		N/A	
National monuments		N/A	
National parks/reserves (i.e. Kruger Park)		N/A	
Paintings		N/A	
Sculptures		N/A	
Municipal jewellery		N/A	
Works of art		N/A	
Other antiques and collections		N/A	
BIOLOGICAL OR CULTIVATED ASSETS			
Dairy cattle		-	
Feathered animals (for eggs and feathers)		-	
Forests and plantations		-	
Fruit trees		-	
Game animals		-	
Animals for reproduction (cattle, goats, sheep, pigs)		-	
Animals for wool or milk (goats and sheep)		-	
Dogs (law enforcement and security)		-	
Horses (law enforcement and working)		-	
Plants (for production of seeds)		-	
Vines		-	
Other animals		-	
INVESTMENT PROPERTY			
INTANGIBLE ASSETS			
Capitalized development costs		-	
Computer software	2	-	5
Mastheads and publishing titles		-	
Patents, licenses, copyrights, brand names and trademarks		-	
Recipes, formulae, prototypes, designs and models		-	
Service and operating rights		-	
Other intangibles		-	

ANNEXURE 2 - Asset Acquisition Form (AAF)

Asset Number (Tag reference): -

Date of Acquisition: -

Cost Price of Asset: - R

Asset Description: -

Depreciation rate:-

Service: -

Cost Centre: -

Asset Department: -

Asset Type: -

Current Details

Town: -

Location: -

Reason for acquiring the Asset: - _____

_____

_____

Municipal Employee Requesting Acquisition: -

Name (Printed): - _____

Position held: - _____

Confirmation of receipt of asset by user:-

Authorized by: - _____

Position held: - _____

ANNEXURE 3- Asset Sales / Scrapping Form (ASSF)

Asset Sales / Scrapping Number: -

Asset Number: -

Asset Description: -

Service: -

Current Details

Town: -

Location: -

Reason for Scrapping Asset: - _____

_____

_____

Municipal Employee Requesting Scrapping: -

Name (Printed): - _____

Position held: - _____

Authorised by: - _____

Position held: - _____

ANNEXURE 4 - Asset Transfer Form (ATF)

FIXED ASSET REGISTER ASSET TRANSFER AND ACCEPTANCE FORM		KING SABATA DALINDYEBO MUNICIPALITY

A. New Additions:

Details of employees receiving the assets must be completed in this section

Employee Details	
Employee Name	
Division	
Section	
HOD	
Site Name /location	
Office Number (Ward)	
Contact No.	

B. Transfers: From **Details from whom or where the assets are being retrieved.**		**Transfers: To** **Details to whom or where the assets are being transferred.**	
Employee or Location Details		Employee or Location Details	
Employee Name		Employee Name	
Division		Division	
Section		Section	
HOD		HOD	
Asset Location		**Asset Location**	
Location / Site Name		Location / Site Name	
Office No		Office No	

C. Asset Information

Information that will assist to identify the asset must be supplied including make and model and serial number where applicable.

Asset Description			
Type of asset: i.e. Computer	***Make and Model***	***Serial Number***	***KSD Asset Number***

D. Declaration

I, the Acceptor of the above-mentioned assets, hereby declare to accept responsibility for the control and safeguarding of these assets. In the event of an Exit Clearance, I hereby give permission for Payroll to deduct the Market Value as determined by Procurement of the said assets must they not be returned to King Sabata Dalindyebo Municipality.

Accepted By: ***Additions / Transferred To:***	***Retrieved/Transferred From:***	***Approved by:*** ***i.e. Manager: ICT*** ***(Computer Equipment)***	***Register Maintenance – By: Manager Assets***
Name:	***Name:***		***Name:***
Signature:	***Signature:***	***Signature:***	***Signature:***
Date:	***Date:***		***Date:***

ANNEXURE 5 – Examples of Motor Vehicles as per VAT Act

The term **"motor car" includes the following vehicles** (that is, where input tax will generally be denied):

- Double cab bakkies (LDVs).
- Ordinary sedan type passenger vehicles.
- Station wagons.
- Minibuses.
- Sport utility vehicles (SUVs).

The term **"motor car" excludes the following vehicles** (that is, input tax will generally be allowed if all the other requirements for input tax are met):

- Goods transportation trucks.
- Single cab light & heavy delivery vehicles.
- Motor cycles.
- Caravans.
- Ambulances, game viewing vehicles and hearses.
- Vehicles capable of accommodating more than 16 persons (for example, a bus).
- Vehicles with a loaded mass of 3500 kg or more.
- Special purpose vehicles constructed for purposes other than the carrying of passengers.
- Equipment such as bulldozers, graders, hysters, harvesters and tractors.

This policy must be reviewed annually.

Authentication

Policy adopted by Council on the: 29 May 2018 as per

Resolution Number: ORD 313/05/18

Sign – Off

Z.H NGOVELA

ACTING MUNICIPAL MANAGER